RICHMOND LOCAL MUNICIPALITY

Draft Infrastructure and capital plan Policy 2024/2025

Contents

1 Definitions

"Accounting Officer"-
Means the Municipal Manager;

"Approved budget,"
Means an annual budget-
(a) Approved by a municipal council, or
(b) Includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

"Basic Municipal Service"
Means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

"Chief Financial Officer"
Means a person designated in terms of section 80(2) (a) of the MFMA;

"Councillor"
Means a member of a municipal council;

"Current year"
Means the financial year, which has already commenced, but not yet ended;

"Financial year"
Means a twelve month period commencing on 1 July and ending on 30 June each year

"Financing agreement"
Includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

"Fruitless and wasteful expenditure"
Means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

"IDP"
Integrated Development Plan

"Irregular expenditure",
Means-
(a) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;

(b) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by- laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

"Investment",
In relation to funds of a municipality, means-
(a) The placing on deposit of funds of a municipality with a financial institution; or
(b) The acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

"Local community"
Has the meaning assigned to it in section 1 of the Municipal Systems Act;

"Municipal Structures Act"
Means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

"Municipal Systems Act"
Means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

“Long-term debt"
Means debt repayable over a period exceeding one year;

"Municipal council" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act; (refer to the MSA for definition);

"Municipality"-
(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
(b) When referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"Municipal manager" “MM”
Means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

"Municipal service"
Has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"Municipal tariff"
Means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

"Municipal tax"
Means property rates or other taxes, levies or duties that a municipality may impose;

"National Treasury" "NT" means the National Treasury established by section 5 of the Public Finance Management Act;

"Official"
Means-
(a) An employee of a municipality or municipal entity;
(b) A person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
(c) A person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"Overspending"-
(a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
(b) In relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
(c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"Past financial year"
Means the financial year preceding the current year;

"PT", "Provincial Treasury"
Means the Provincial Treasury branch established by section 5 of the Public Finance Management Act;

"Quarter"
Means any of the following periods in a financial year:
(a) 1 July to 30 September;
(b) 1 October to 31 December;
(c) 1 January to 31 March; or
(d) 1 April to 30 June;

“SDBIP”," Service Delivery and Budget Implementation Plan"
means a detailed plan approved by the Mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-
(a) Projections for each month
(i) Revenue to be collected, by source; and
(ii) Operational and capital expenditure, by vote;
(b) Service delivery targets and performance indicators for each quarter; and
(c) Any other matters that may be prescribed, and includes any revisions of such plan by the executive mayor in terms of section 54(l) (c) of the MFMA;

"Short-term debt"
Means debt repayable over a period not exceeding one year;

"Unauthorised expenditure",
Means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes-
(a) Overspending of the total amount appropriated in the municipality's approved budget;
(b) Overspending of the total amount appropriated for a vote in the approved budget;
(c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
(f) A grant by the municipality otherwise than in accordance with the MFMA;

2 Introduction

2.1 Background

Municipalities are responsible for providing infrastructure services to all its communities, industries, and other consumers in its area of jurisdiction. Over the past number of years, one of the key areas of delivery for government has been in supplying new infrastructure to meet the backlog in the provision of basic services and broadening the service delivery foot print across the country while keeping abreast of growth and migratory patterns within society.

However, today there is a need to ensure that these services will be sustainable in future, and that the necessary institutional, financial and technical measures are in place to achieve this goal. This document provides a brief overview of tools aimed at assisting municipalities in achieving these goals by integrating them into a single planning vehicle.

2.2 Objectives

Every municipality needs to compile an Integrated Development Plan (IDP) that defines a framework for creating and sustaining integrated human settlements by providing the necessary infrastructure in a sustainable and coordinated manner. The CIP’s have been formulated to enhance the preparation of the IDP, and consolidates the information from a wide range of planning instruments.

It summarises the data at ward level by exploring the unique needs of communities, and the formulate plans for providing housing and infrastructure to service these needs. It therefore creates the basis for confirming the alignment of the different sector plans.

It furthermore addresses the full life cycle management of those assets by considering the refurbishment and maintenance needs, and ensure that the necessary skills and financial resources are available to achieve the goal of sustainable service delivery is achieved in the medium to long term.

3 Key Issues to be addressed

It is Richmond municipality's responsibility to provide all its communities with the necessary infrastructure services for access and transport, and solid waste, as well as ensure that other key services (e.g. education, health, sports and recreation, and community services) are planned in collaboration with the relevant service providers. This calls for the following actions:

Ensuring that the necessary infrastructure assets are provided, operated and maintained (i.e. addressing their full life cycle)

Ensuring that the necessary funding is available for the total costs involved over the full extent of the life cycle of the assets, by collecting revenue from consumers and utilizing available grant funds, and providing the required operating and capital funds to achieve the goals

Ensuring that an institutional model exists for providing the necessary skills, processes and procedures to manage the assets

Ensuring that the growth needs of the municipality are addressed by considering local economic development initiatives, and taking cognizance of changing needs of communities while involving them in planning the provision of the above services

4 Financial Strategies

The implementation of the following financial strategies will enhance the future financial sustainability of the municipality.

4.1 Capital Financing Strategy

Dedicate a particular person (Technical Services Section) to the function of raising grants, identify, establish, maintain and update database of all grant providers. Undertake project feasibility studies and project plans. The municipality should approach funding organisations with business plans and the Financial Plan. Set up a separate bank account for each grant received.

4.2 Asset Management Strategy

Refer to Asset Management Policy for detailed asset management strategy

4.3 Financial Management

Develop policies, procedures and bylaws. Provide councillors with the necessary financial training so they understand the financial information given to them.

4.3.1 Capital and Investment Programmes

The capital and investment programmes are set out in the Capital Budget.

4.3.2 Multiyear Budget (Financial Projections)

Financial projections have been developed using the capital budget to obtain the list of infrastructure projects for the MTREF budget. Various financial feasibility studies pertaining to these capital projects are performed and assessed and aligned to the IDP.

All the related studies should take in cognisance of the following:

a) A three-year projection of the operating and capital budget reflecting the required tariff ratio increases

b) Funding currently available to undertake projects

c) Financial resources required for capital projects

d) Inflationary increases

5 Implementation and Review

This policy shall be implemented as at 1 July 2010 and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.